

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6725**

**BILL NUMBER:** HB 1255

**DATE PREPARED:** Jan 3, 2001

**BILL AMENDED:**

**SUBJECT:** Property tax exemption for warehoused inventory.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill makes personal property that is owned by a manufacturer or processor and stored by a warehouseman exempt from state property tax. The bill defines the term "warehouseman".

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** The State levies a tax rate for State fair and State forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The loss of revenue could be as high as \$215,000 per year.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, finished goods inventory owned by a manufacturer or processor is exempt from property taxation if the property is stored in its original package and will be shipped out of state. Certain other inventory property that is stored in an Indiana warehouse and will be shipped to another state is also currently exempt.

In addition to the currently exempt property, this bill would exempt inventory owned by a manufacturer or processor that is stored in an Indiana warehouse by a warehouseman who is not affiliated with the property's owner. The bill does not contain any requirement that the stored inventory be destined for an out-of-state location.

The additional exemptions allowed by this bill would reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the exemptions to all taxpayers in the form of an increased tax rate. Total net property taxes on inventory amounted to about \$402 M in CY 1999.

Manufacturers accounted for about 48% of that amount or \$193 M. The possibility exists that manufacturers and processors who currently own their warehouses could restructure their businesses so that their inventory is warehoused by a warehouseman. If this happens, then most of the \$193 M paid by manufacturers and processors could be shifted to other taxpayers.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** Local assessing officials.

**Information Sources:** Property Tax Analysis, 1999, State Board of Tax Commissioners.